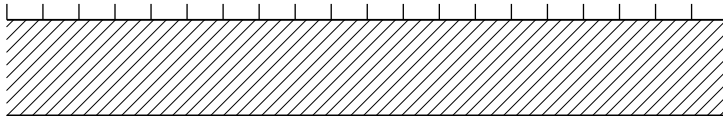


## 1997 Manufacturers' Investment Credit

3535

Attach to your California tax return.

Name(s) as shown on return

Social security, California corporation or  
entity identification (ID) numberQualified Taxpayer's SIC Code Activity  
**Caution:** See instructions.

FEIN

## Part I Credit Computation (See instructions before completing)

## Primary Use Code – See General Information H, Definitions

Enter a code letter in column (b) for each item of property. Property must be primarily used for one of these activities:

A = Manufacturing

B = Research and Development

C = Pollution Control

D = Maintenance, repair, measurement or testing of qualified property

E = Recycling

F = Fabricating

G = Refining

H = Processing

## Qualified Costs (See Specific Line Instructions)

(a) Description of property	(b) Primary use code	(c) SIC code for property's primary use	(d) Property leased? Y / N	(e) Date placed in service (mo./yr.)	(f) Amount of California sales or use tax paid	(g) Cost of property — Do not include sales or use tax paid.	(h) Capitalized direct labor costs allocated to property	(i) Total costs. Add col. (g) and col. (h).	(j) Mandatory adjustments. See instructions.
1									

2 Add the amounts in column (i) and column (j) . . . . .

2

3 Total 1997 qualified costs. Subtract line 2, column (j) from line 2, column (i) . . . . .

3

4 Multiply line 3 by 6% (.06) . . . . .

4

5 Pass-through manufacturers' investment credit(s) from Schedule(s) K-1 (100S, 541, 565 or 568). See instructions.

(a) Name of pass-through entity	(b) Entity ID no., California corporation number, FEIN, etc.	(c) Amount of pass-through credit

Total pass-through manufacturers' investment credit. Add the amounts in column (c) . . . . .

5

6 Add line 4 and line 5. This is your current year manufacturers' investment credit. **S corporations:** Go to line 7.**All others:** Skip line 7, and go to line 8 . . . . .

6

7 **S corporations only:** Multiply line 6 by 1/3. See instructions . . . . .

7

8 Credit carryover from prior years. See instructions . . . . .

8

9 Total available credit. **S corporations:** Add line 7 and line 8. **All others:** Add line 6 and line 8 . . . . .

9

10 Enter the amount of credit claimed on the current year tax return. **Caution:** Your credit may be limited. See instructions . . . . .

10

11 Credit carryover available for future years. Subtract line 10 from line 9 . . . . .

11



**Part II Credit Use and Carryover Periods** See instructions.

**8 Year Carryover Period**

(a) Year	(b) Credit generated in current year	(c) Prior year carryover amount	(d) Amount used in 1997	(e) Credit carryover to future years
<b>1</b> 1994 & 1995				
<b>2</b> 1996				
<b>3</b> 1997				

**10 Year Carryover Period** (Small businesses only)

(a) Year	(b) Credit generated in current year	(c) Prior year carryover amount	(d) Amount used in 1997	(e) Credit carryover to future years
<b>4</b> 1994 & 1995				
<b>5</b> 1996				
<b>6</b> 1997				
<b>7</b> Totals				

**Part III Credit Recapture** See instructions.

(a) Property description	(b) Recapture code	(c) Credit recapture
<b>1</b>		
<b>2</b> Total recapture amount. Add the amounts in column (c). See instructions. . . . .	<b>2</b>	



# Instructions for FTB 3535

## Manufacturers' Investment Credit

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1997**, and to the California Revenue and Taxation Code (R&TC).

### General Information

#### A What's New

Senate Bill 38 (Stats. 1996, Ch. 954) added semiconductor equipment placed in service on or after January 1, 1997, to the definition of qualified property. In addition, this bill amended the definition of "small business" to include taxpayers who are engaged in biopharmaceutical activities or other biotechnology activities (Standard Industrial Classification (SIC) Codes 2833 through 2836) and have not received regulatory approval for any product from the United States Food and Drug Administration.

#### B Purpose

Use form FTB 3535 to figure and claim a credit for qualified costs paid or incurred by qualified taxpayers for acquiring, constructing or reconstructing qualified property. Also use this form to claim pass-through manufacturers' investment credits received from S corporations, estates or trusts, partnerships or limited liability companies (LLCs) taxed as partnerships.

S corporations, estates or trusts, partnerships and LLCs taxed as partnerships should complete form FTB 3535 to figure the amount of credit to pass through to shareholders, beneficiaries, partners or members. Attach this form to Form 100S, Form 541, Form 565 or Form 568. Show the pass-through credit for each shareholder, beneficiary, partner or member on Schedule K-1 (100S, 541, 565 or 568).

Special rules apply in the case of qualified property that is leased. See General Information G, Special Rules for Leased Property.

#### C Description

The manufacturers' investment credit is claimed for the year in which qualified property is placed in service in California.

Investments in qualified property made on or after January 1, 1994, can qualify for the manufacturers' investment credit. The qualified property must be placed in service in California and must be used for qualified purposes (generally manufacturing or research and development).

For more information on the manufacturers' investment credit get FTB 1113, Frequently Asked Questions About California's Manufacturers' Investment Credit, and the California Code of Regulations, Title 18, Sections 17053.49-0 through 17053.49-11 for Personal Income Tax Law or Sections 23649-0 through 23649-11 for Bank and Corporation Tax Law.

#### D Who is a Qualified Taxpayer

A qualified taxpayer may be an individual, partnership, corporation, limited liability company, estate or trust. A qualified taxpayer must be engaged in at least one line of business establishment that is properly classified as an operating establishment under Division D (SIC Codes 2011 through 3999) of the Standard Industrial Classification Manual, 1987 Edition. A list of the qualified SIC codes is at the end of these instructions, along with the address of where to purchase the manual. You must determine your SIC code(s) according to the rules and methods described in the SIC Manual, 1987 edition. Any SIC code assignment made by any federal, state (other than the California Franchise Tax Board (FTB)), regional or local government agency is not controlling.

**Establishment** — An economic unit (as distinguished from subunits such as departments), generally at a single physical location, where business is conducted or where services or manufacturing or other industrial operations are performed.

#### E What is Qualified Property

Qualified property includes only new or used property that is placed in service in California. Qualified property is either of the following:

1. Tangible personal property that is characterized as depreciable or amortizable under IRC Section 1245(a).  
The property must be used by a qualified taxpayer in one of the taxpayer's establishments classified under SIC Codes 2011 through 3999 and used primarily in any of the following activities:
  - Manufacturing, processing, refining, fabricating or recycling;
  - Research and development;
  - Maintaining, repairing, testing or measuring other qualified property; or
  - Pollution control meeting or exceeding established state or local standards.

Primarily means that the qualified property is used 50% or more of the time in a qualified activity.

2. "Off-the-shelf" computer software.
3. Special purpose buildings and foundations that are constructed or modified by qualified taxpayers engaged in one of the following lines of business:
  - The manufacturing of computer and office equipment (SIC Codes 3571 through 3579) or electronic components and accessories (SIC Codes 3671 through 3679);
  - Commercial physical and biological research and development on a contract or fee basis (SIC Code 8731);

- The manufacturing, fabricating, or processing of medicinal chemicals and pharmaceutical products (SIC Codes 2833 through 2836) in a biopharmaceutical activity;
- The manufacturing of space vehicles and parts (SIC Codes 3761 through 3769) or space satellites and communications satellites and equipment (SIC Codes 3663 and 3812) for property placed in service on or after January 1, 1996; or
- The manufacturing of semiconductor equipment (SIC Code 3559) for property placed in service on or after January 1, 1997.

The special purpose building or foundation must be used by a qualified taxpayer:

- In manufacturing, processing, refining or fabricating; or
- As a research or storage facility used primarily in connection with a manufacturing process.

To be qualified as a special purpose building, the specific machinery and equipment for which the building is designed must also have a special purpose. Accordingly, buildings and foundations which do **not** meet the definition of special purpose buildings and foundations include, but are not limited to, general purpose manufacturing and industrial or commercial buildings. Additionally, research or storage facilities that are used primarily before, after or before and after a manufacturing process are not special purpose buildings.

#### Property That Does Not Qualify

Qualified property does not include any of the following: furniture, inventory, warehouse facilities used for storage after completion of the manufacturing process, equipment used to store finished products after completion of the manufacturing process, property used in administration, general management or marketing, equipment used in the extraction process or any vehicle for which the former low-emission vehicle credit has been claimed.

#### F What are Qualified Costs

1. Qualified costs are costs which satisfy **all** of the following requirements.

Costs must be:

- Paid or incurred on or after January 1, 1994, for the acquisition, construction or reconstruction of qualified property;
- Amounts upon which California sales or use tax has been paid, either directly or indirectly by the taxpayer (except those under 2 on the next page); and
- Amounts properly chargeable to the capital account of the qualified taxpayer (generally depreciable), except in the

case of certain operating leases. See General Information G, Special Rules for Leased Property.

2. Qualified costs may also include the value of any capitalized labor that is either directly allocable to the construction or modification of qualified property or is a direct cost for constructing or modifying a special purpose building or foundation.

#### Costs Under Binding Contracts Entered Into Prior to 1994

If otherwise qualified costs are paid or incurred pursuant to a binding contract entered into before January 1, 1994, the contract cost must be prorated. In this situation, the qualified costs are determined by applying the ratio of costs actually paid (irrespective of the qualified taxpayer's method of tax accounting) prior to January 1, 1994, to the total contract costs actually paid.

For purposes of determining what amounts were actually paid prior to January 1, 1994, any contractual deposits and option payments are treated as amounts paid.

Contract costs allocated to a period prior to January 1, 1994, are not qualified costs for purposes of the manufacturers' investment credit.

**Example:** On October 1, 1993, H, a qualified taxpayer, executes a contract to purchase five machines and ten computers that are qualified property for a total of \$100 (plus applicable sales tax). Under the terms of the contract, H is required to make a non-refundable \$20 deposit upon execution of the contract and pay the remaining \$80 upon delivery of the machines and computers. On May 1, 1994, the machines and computers are delivered and H pays the remaining \$80 due under the contract. Under these facts, the \$20 actually paid in 1993 will not be treated as a qualified cost, but the remaining \$80 paid in 1994 is a qualified cost.

Contracts that are replacement or successor contracts to contracts that were binding prior to January 1, 1994, will also be considered binding contracts in existence prior to January 1, 1994. However, if a successor or replacement contract also includes additional costs for constructing, reconstructing or acquiring property not described in the original binding contract, the additional costs may be considered costs paid or incurred on or after January 1, 1994.

A contract will be considered binding even if it is subject to a condition, such as forfeiture or cancellation. However, in the case of an option contract, if the option holder will forfeit an amount less than 10% of the fixed option price in the event the option is not exercised, then the option contract will not be treated as a binding contract under these rules.

## G Special Rules for Leased Property

The following rules apply in the case of any qualified property that is leased by a qualified taxpayer:

- The credit is not allowed to the lessor (title-holder) of qualified property, whether or not the lessor is otherwise a qualified taxpayer. Only a lessee-user (renter or purchaser) can qualify.
- Lease agreements are treated as binding contracts for purposes of applying the binding contract allocation rules. See General Information F, What are Qualified Costs.
- Property leased under an operating (true) lease does not have to be chargeable to the qualified taxpayer's capital account, while property leased under a finance (capital) lease must be chargeable to the qualified taxpayer's capital account.
- The credit cannot be claimed for costs paid or incurred by a lessee who pays sales or use tax on the property to the lessor on a periodic basis, such as monthly ("pay-as-you-go") leases.
- Within 45 days after the close of the taxable or income year of the lessee for which the manufacturers' investment credit is allowable, the lessor must provide a statement to the lessee specifying the amount of the lessor's cost upon which sales or use tax has been paid in full by the lessor and the amount eligible for the credit. The lessee must retain a copy of this statement and make it available to the FTB upon request.

#### Determining Qualified Costs for Leased Property

The credit to be allowed to the lessee-user is computed using the lessor's original cost of the qualified property, which is generally determined using the rules under General Information F, What are Qualified Costs.

- The credit may only be claimed for the taxable or income year the qualified property is placed in service.
- The lessor's original cost basis is generally equal to the lessor's cost for depreciation purposes (less any California sales or use tax paid that is included in such cost basis). However, only amounts upon which California sales or use tax has been paid, either directly or indirectly by the lessor, plus any directly allocable capitalized labor costs, qualify for the manufacturers' investment credit and may be included in the lessor's original cost.
- The original cost to the lessor of the qualified property must be reduced by the amount of any original cost used in computing the manufacturers' investment credit by any predecessor lessee in a previous lease of the qualified property. However, this reduction is not required to the extent that a predecessor lessee was required to recapture the manufacturers' investment credit.
- If a lessor acquires qualified property that was previously leased from another lessor in a transaction that is not treated as a sale for California sales or use tax purposes, the original cost to the new lessor for the manufacturers' investment

credit purposes must be reduced by the amount of the original cost used in computing the manufacturers' investment credit by any predecessor lessee. Generally, this will result in the new lessor having no original cost for manufacturers' investment credit purposes unless the new lessor elects to pay California sales or use tax on the acquisition.

## H Definitions

The following definitions apply for purposes of credit qualification:

**Fabricating** — Making, building, creating, producing or assembling components or property to work in a new or different manner.

**Manufacturing** — Converting or conditioning property by changing its form, composition, quality or character ultimately for retail sale or use in the manufacturing of another product intended for retail sale.

**Pollution Control** — Activity that results in the abatement, reduction, or control of water, land or air pollution or contamination by removing, altering, disposing, storing or preventing the creation or emission of pollutants, contaminants, wastes or heat, but only to the extent that such activity meets or exceeds local, regional or state standards.

**Process** — The period beginning when raw materials are received and introduced into the manufacturing, processing, refining, fabricating, or recycling activity of the qualified taxpayer and ending at the point at which the manufacturing, processing, refining, fabricating, or recycling activity has altered tangible personal property to its completed form, including packaging, if required.

**Processing** — Physical application of materials and labor needed to change the characteristics of property.

**Recycling** — Process of modifying, changing or altering the physical properties of manufacturing, processing, refining or fabricating secondary or postconsumer waste which results in the reduction, avoidance or elimination of the generation of waste.

**Refining** — Conversion of a natural resource to an intermediate or finished product.

**Research and Development** — Those activities described in IRC Section 174.

**Small Business** — Any taxpayer that at the end of the taxable or income year in which the credit is allowed, has either:

- Gross receipts of less than \$50 million;
- Net assets of less than \$50 million;
- A total manufacturers' investment credit of less than \$1 million; or
- Engaged in biopharmaceutical activities or other biotechnology activities (SIC Codes 2833 through 2836) and has not received regulatory approval for any product from the United States Food and Drug Administration (for taxable or income years beginning on or after January 1, 1997).

The determination of whether a taxpayer is a small business shall be made on a separate entity basis, and, in the case of any taxpayer engaged in multiple lines of business or that has multiple establishments, shall be made by aggregating all of the taxpayer's business activities.

## I Limitations

### The manufacturers' investment credit is not refundable.

The credit will not be allowed for any property for which a sales or use tax exemption or refund has been claimed.

S corporations may claim only 1/3 of the credit against the 1.5% entity-level tax (3.5% for financial S corporations). In addition, S corporations may pass through 100% of the credit to their shareholders.

This credit can reduce regular tax below tentative minimum tax. However, it cannot reduce the alternative minimum tax (corporations, individuals and fiduciaries).

This credit cannot reduce the minimum franchise tax (corporations, limited partnerships, limited liability partnerships, LLCs and S corporations), the built-in gains tax (S corporations) or the excess net passive income tax (S corporations).

Taxpayers operating a business establishment in the Los Angeles Revitalization Zone (LARZ) or in a Local Agency Military Base Recovery Area (LAMBRA) may not claim the LARZ or the LAMBRA sales or use tax credit and the manufacturers' investment credit for the same property. For more information about the LARZ or LAMBRA, get form FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary, or form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary.

The cost basis of the qualified property for depreciation purposes is not reduced by the amount of the credit.

### Members of a Unitary or Combined Group.

This credit may not be allocated or otherwise transferred to another taxpayer, even if the other taxpayer is a member of a unitary or combined group or otherwise affiliated with the taxpayer that earned the credit. For example, a subsidiary corporation that generates a manufacturers' investment credit may not allocate the credit to the parent corporation.

## J Credit Carryover and Limitation

Any part of the credit exceeding the tax liability in the taxable or income year may generally be carried over for a maximum of 8 years. However, if the qualified taxpayer meets the definition of a small business in the year the credit is first allowed, then the credit may be carried over for 10 years. In no event can the credit be carried back and applied against a prior year's tax.

## K Credit Recapture

If qualified property for which the manufacturers' investment credit was allowed is:

- Removed from California;
- Used primarily for a nonqualifying purpose;
- Disposed of to an unrelated party; or
- Acquired by a lessee (or acquired by a party related to the lessee) that is being leased by such lessee

within one year from the date the property is first placed in service in California, the amount of credit previously allowed must be recaptured by adding the credit previously claimed to the qualified taxpayer's tax liability for the taxable or income year in which the recapture event occurs. Any manufacturers' investment credit carryover should first be reduced to the full extent before adding any recaptured credit to the current year tax liability. Any recapture amount remaining after the reduction of the carryover should be added to tax.

**Example:** In May 1997, within one year of placing qualified property in service in California, K disposes of qualified property for which a \$150 manufacturers' investment credit was previously allowed. K is required to recapture the entire \$150 manufacturers' investment credit. Assume K had \$100 in available manufacturers' investment credit carryovers. K would reduce its available manufacturers' investment credit carryovers to zero and would then increase its tax for 1997 by \$50 (\$150 recapture amount less \$100 used to reduce available manufacturers' investment credit carryovers).

## Specific Instructions

### Qualified Taxpayer's SIC Code Activity —

Enter the SIC code of the establishment that qualifies you to take this credit. If your enterprise has more than one establishment, and if more than one of the establishments qualifies you to take this credit, enter the SIC code that best represents the primary qualifying establishment.

Do not enter the Principal Business Activity Code Number from your state or federal return. These are not the same as SIC codes. See General Information D, Who is a Qualified Taxpayer.

## Specific Line Instructions

### Part I — Credit Computation

**Line 1, Column (b)** — Primary use code. Enter the letter from those listed that represents the primary activity (used over 50% or more of the time) in which the property was used. The codes are listed under Part I on the form. See General Information H, Definitions.

**Line 1, Column (c)** — Enter the 4-digit SIC code for the primary activity in which the

property was used. The property's SIC code activity is not necessarily the same as the Qualified Taxpayer's SIC code activity. See the list of SIC codes on page 5 and page 6.

**Line 1, Column (d)** — Enter N if the property was not leased. If the property was leased enter Y and see General Information G, Special Rules for Leased Property.

**NOTE:** If you are the lessor of the qualified property, you do not qualify for this credit.

**Line 1, Column (f)** — Enter the amount of California sales or use tax paid. In general, the California sales or use tax must be paid (directly or indirectly) on the qualified costs (except for costs paid or incurred on capitalized labor). See General Information F, What are Qualified Costs.

**Line 1, Column (g)** — For leased property, the lessee must enter the lessor's original cost less any California sales or use tax paid by the lessor. **Note:** "Pay-as-you-go" leases do not qualify for the manufacturers' investment credit because the lessor has not paid California sales or use tax on the lessor's acquisition of the property. See General Information G, Special Rules for Leased Property.

**Line 1, Column (h)** — Enter the total amount of direct capitalized labor costs associated with the qualified property. Qualified capitalized labor costs are all direct costs of labor (as defined in IRC Section 263A and regulations thereunder) that can be identified or associated with the construction, modification or installation of qualified property. Indirect labor costs (such as training costs, officers' compensation, pension costs and employee benefit expenses) that cannot be identified or directly associated with the construction, modification or installation of specific items of qualified property may not be claimed.

**Line 1, Column (j)** — Only costs that are properly chargeable to a taxpayer's capital account may be claimed as qualified costs; therefore, appropriate basis adjustments should be made to the cost of the property. Enter the total of the accelerated deductions such as IRC Section 179 deduction and the business expense deduction allowed for enterprise zones, the LARZ and LAMBRA. Also, enter any unrecognized gain resulting from an IRC Section 1031 exchange of this item for the item being replaced.

**Line 5** — Enter any pass-through credit(s) received from S corporations, estates or trusts, partnerships or LLCs passed through to you on Schedule(s) K-1 (100S, 541, 565 or 568).

**Line 7** — S corporations may use the amount reported on this line (1/3 of the credit) to offset the 1.5% entity-level tax (3.5% for financial S corporations). The S corporation may then pass through 100% of the credit to its shareholders.

**Line 8** — Enter the total available credit carryover from prior years from your 1996 form FTB 3535, line 11.

**Line 10** — The amount of this credit that you can claim on your tax return may be limited further. Refer to the credit instructions in your tax booklet for more information. These instructions also explain how to claim this credit on your tax return. Use credit code number **199** to claim this credit.

All pass-through entities, whether generating the credit and/or receiving pass-through credits from entities of which they own an interest, must determine the total credit at the entity level. Once the amount of credit has been determined by the pass-through entity at the entity level, it is then passed through to the shareholders, beneficiaries, partners or members and claimed on each recipient's individual or entity return.

**Note:** Except as explicitly described in the paragraph above, the credit may not be allocated to other affiliated entities. For example, if one corporation is entitled to the credit but has no tax liability, it may not allocate the unused credit amount to another member of the same unitary group.

## Part II — Credit Use and Carryover Periods

The length of the credit carryover period is determined by whether or not the business meets the definition of a small business at the close of the taxpayers' taxable or income year in which the credit is first allowed. Therefore, the determination of whether the business meets the definition of a small business in subsequent years (years after the credit carryover is generated) has no bearing on the original determination of the length of the credit carryover period. If the business meets the definition of a small business as described in General Information H, the credit carryover period is 10 years. A business that is not a small business can carry over the credit for 8 years.

**Line 3, column (b) and line 6, column (b)** — Enter the amount from Part I, line 6 or Part I, line 7 on either Part II, line 3 or Part II, line 6, as appropriate.

## Part III — Credit Recapture

Any credit amounts previously claimed must be added back to your tax liability if any of the events listed below have occurred within one year of the date the qualified property was placed in service in California. The recapture codes listed to the left of each event that caused recapture of the manufacturers' investment credit should be used to complete Part III, line 1, column (b), for each item of qualified property for which the credit must be recaptured.

<u>Recapture Code</u>	<u>Event Causing Recapture</u>
<b>1</b>	Qualified property is physically moved out of California.
<b>2</b>	Qualified property is primarily used in a non-qualified activity. (See General Information E, What is Qualified Property, for more information on qualified activities).
<b>3</b>	Qualified property is sold or otherwise transferred to an unrelated party.
<b>4</b>	Qualified leased property is acquired by the lessee-user (or party related to the lessee-user) who claimed the manufacturers' investment credit for such leased property prior to acquiring the property.

**Line 1, column (a)** — List each item of property that caused recapture.

**Line 1, column (b)** — Enter the recapture reason code from the list above that corresponds to the event that caused recapture of the manufacturers' investment credit.

**Line 1, column (c)** — Enter the amount of recapture for each item of property entered in column (a).

Any manufacturers' investment credit carryover should first be reduced to the full extent before adding any recaptured credit to the current year tax liability. Any recapture amount remaining after the reduction of the carryover should be added to tax and reported here (Part III, line 1, column (c)). See the instructions for line 2 below for where to report the recapture amounts on your California tax return.

**Line 2, column (c)** — Add the amounts in column (c). Enter the total here and on your California tax return or form as follows:

- Schedule J (100);
- Schedule J (100S) and Schedule K-1 (100S), line 23;
- Schedule K (109);
- Form 540, line 36;
- Form 540NR, line 45;
- Form 541, line 21b and Schedule K-1 (541), line 11e;
- Schedule K (565), line 22 and Schedule K-1 (565), line 22; or
- Schedule K (568), line 22 and Schedule K-1 (568), line 22.

Indicate that you included the manufacturers' investment credit recapture on the tax return by writing "FTB 3535" in the space to the left of the amount on the schedule or form.

Shareholders, partners or members of pass-through entities must recapture the portion of the credit that was previously claimed. The S corporation, partnership or LLC must identify the recapture amounts for their shareholders, partners or members.

**Note:** For an S corporation, the recapture amount for shareholders will differ from the amount recaptured by the S corporation on Schedule J (100S), since S corporations can only claim 1/3 of the credit.

# Standard Industrial Classification Manual (1987 Edition)

## Division D — Manufacturing (Partial Listing)

The SIC Manual is organized using a hierarchical structure, first by division, then by 2-digit major groups within each division, then by 3-digit industry groups within each major group and finally by 4-digit industry codes within each industry group.

Classification of business activities is based upon establishments, which are defined in the SIC Manual as an economic unit, generally at a single physical location, where business is conducted or where services or industrial operations are performed. A taxpayer's enterprise may consist of more than one establishment. The SIC Manual provides the following examples of establishments: a factory, mill, store, hotel, movie theater, mine, farm, ranch, bank, railroad depot, airline terminal, sales office, warehouse or central administrative office. Where distinct and separate economic activities are performed at a single physical location (such as construction activities operated out of the same physical location as a lumber yard), each activity should be treated as a separate establishment where: (1) no one industry description in the SIC Manual includes such combined activities; (2) the

employment in each economic activity is significant; and (3) separate reports are prepared on the number of employees, their wages and salaries, sales or receipts, property and equipment and other types of financial data, such as financial statements, job costing and profit center accounting.

For purposes of this publication, only 4-digit industry codes within Division D (Manufacturing) are listed, since only taxpayers with establishments in those industry codes (SIC Codes 2011 through 3999) qualify for the manufacturers' investment credit (with a limited exception for special purpose buildings for taxpayers engaged in biotech activities that are classified under SIC Code 8731, in biopharmaceutical only activities that are classified under SIC Codes 2833 through 2836), the manufacturing of space vehicles and parts (SIC Codes 3761 through 3769) or space satellites and communications satellites and equipment (SIC Codes 3663 and 3812) on after January 1, 1996 and semiconductor equipment manufacturing (SIC Code 3559) on or after January 1, 1997.

The complete Standard Industrial Classification Manual, 1987 Edition, is available for purchase from:

**NATIONAL TECHNICAL INFORMATION SERVICE, 5285 PORT ROYAL ROAD, SPRINGFIELD VIRGINIA 22161**  
Order No. PB 87-100012

The 4-digit industry codes within Division D of the SIC Manual are: (nec stands for "not elsewhere classified")

3291 Abrasive products	3995 Burial caskets	3961 Costume jewelry	3069 Fabricated rubber products, nec
2891 Adhesives & sealants	3578 Calculating & accounting equipment	2074 Cottonseed oil	3441 Fabricated structural metal
2879 Agricultural chemicals, nec	2064 Candy & other confectionery pdtts	2021 Creamery butter	2399 Fabricated textile pdtts, nec
3563 Air & gas compressors	2062 Cane sugar refining	3466 Crowns & closures	3523 Farm machinery & equipment
3728 Aircraft parts & equipment, nec	2033 Canned fruits & vegetables	3643 Current-carrying wiring devices	3965 Fasteners, buttons, needles & pins
3724 Aircraft engines & engine parts	2091 Canned & cured fish & seafood	2391 Curtains & draperies	2875 Fertilizers, mixing only
3721 Aircraft	2032 Canned specialties	3087 Custom compound purchased resins	2655 Fiber cans, drums & sim. products
2812 Alkalies & chlorine	2394 Canvas & related products	3281 Cut stone & stone products	2262 Finishing plants, manmade
3354 Aluminum extruded products	3955 Carbon paper & inked ribbons	3421 Cutlery	2261 Finishing plants, cotton
3355 Aluminum rolling & drawing, nec	2895 Carbon black	2865 Cyclic crudes & intermediates	2269 Finishing plants, nec
3365 Aluminum foundries	3624 Carbon & graphite products	2034 Dehydrated fruits, vegetables, soups	3211 Flat glass
3353 Aluminum sheet, plate & foil	3592 Carburetors, pistons, rings valves	3843 Dental equipment & supplies	2087 Flavoring extracts & syrups, nec
3363 Aluminum die-casting	2273 Carpets & rugs	2835 Diagnostic substances	2041 Flour & other grain mill products
3483 Ammunition, exc for small arms, nec	2823 Cellulosic manmade fiber	2675 Die-cut paper products	3824 Fluid meters & counting devices
3826 Analytical instruments	3241 Cement, hydraulic	2085 Distilled & blended liquors	3492 Fluid power valves & hose fittings
2077 Animal & marine fats & oils	3253 Ceramic wall & floor tile	2047 Dog & cat food	2026 Fluid milk
2387 Apparel belts	2043 Cereal breakfast foods	3942 Dolls & stuffed toys	3594 Fluid power pumps & motors
2389 Apparel & accessories, nec	2022 Cheese, natural & processed	2591 Drapery hardware & blinds & shades	3593 Fluid power cylinders & actuators
3446 Architectural metal work	2899 Chemical preparations, nec	2023 Dry, condensed, evaporated dairy products	2657 Folding paperboard boxes
3292 Asbestos products	2067 Chewing gum	2079 Edible fats & oils, nec	2099 Food preparations, nec
2952 Asphalt felts & coatings	2131 Chewing & smoking tobacco	3641 Electric lamps	3556 Food products machinery
2951 Asphalt paving mixtures & blocks	2066 Chocolate & cocoa products	3634 Electric housewares & fans	3131 Footwear cut stock
3581 Automatic vending machines	2111 Cigarettes	3699 Electrical equipment & supplies, nec	3149 Footwear, except rubber, nec
2396 Automotive & apparel trimmings	2121 Cigars	3629 Electrical industrial apparatus, nec	2092 Fresh/frozen prepared fish/seafood
3465 Automotive stampings	3255 Clay refractories	3845 Electromedical equipment	2053 Frozen bakery products, except bread
2673 Bags: plastic, laminated & coated	2295 Coated fabrics, not rubberized	3313 Electrometallurgical products	2038 Frozen specialties, nec
2674 Bags: uncoated paper & multiwall	3316 Cold finishing of steel shapes	3679 Electronic components, nec	2037 Frozen fruits & vegetables
3562 Ball & roller bearings	2754 Commercial printing, gravure	3678 Electronic connectors	2371 Fur goods
2063 Beet sugar	2752 Commercial printing, lithographic	3671 Electron tubes	2599 Furniture & fixtures, nec
2836 Biological products exc. diagnostic	2759 Commercial printing, nec	3675 Electronic capacitors	3944 Games, toys, & children's vehicles
2782 Blankbooks & looseleaf binders	3582 Commercial laundry equipment	3676 Electronic resistors	3053 Gaskets, packing & sealing devices
3312 Blast furnace & steel mills	3646 Commercial lighting fixtures	3677 Electronic coils & transformers	3569 General industrial machinery, nec
3564 Blowers & fans	3669 Communication equipment	3571 Electronic computers	2369 Girls' & children's outerwear, nec
3732 Boat building & repairing	3577 Computer peripheral equipment, nec	3534 Elevators & moving stairways	2361 Girls' & children's dresses, blouses
3452 Bolts, nuts rivets & washers	3575 Computer terminals	3694 Engine electrical equipment	3221 Glass containers
2731 Book publishing	3572 Computer storage devices	2677 Envelopes	3321 Gray & ductile iron foundries
2732 Book printing	3271 Concrete block & brick	3822 Environmental controls	2771 Greeting cards
2789 Bookbinding & related work	3272 Concrete products, nec	2892 Explosives	3761 Guided missiles & parts
2086 Bottled & canned soft drinks	3531 Construction machinery	2381 Fabric dress & work gloves	2861 Gum & wood chemicals
2342 Bras, girdles & allied garments	2679 Converted paper products, nec	3499 Fabricated metal products, nec	3275 Gypsum products
2051 Bread, cake, & related products	3535 Conveyors & conveying equipment	3443 Fabricated plate work (boiler shops)	3423 Hand & edge tools, nec
3251 Brick & structural clay tile	2052 Cookies & crackers	3498 Fabricated pipe & fittings	3996 Hardsurface floor coverings, nec
2211 Broadwoven fabric mills, cotton	3351 Copper rolling & drawing		2429 Hardware, nec
2221 Broadwoven fabric mills, manmade	3366 Copper foundries		2426 Hardwood dimensions & flooring mills
2231 Broadwoven fabric mills, wool	2298 Cordage & twine		
3991 Brooms & brushes	2653 Corrugated & solid fiber boxes		

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2435	Hardwood veneer & plywood	2322	Men's & boys' underwear & nightwear	2796	Platemaking service	3566	Speed changers, drives & gears
2353	Hats, caps & millinery	2326	Men's & boys' work clothing	3471	Plating & polishing	3949	Sporting & athletic goods, nec
3433	Heating equip, except electric	2311	Men's & boys' suits & coats	2395	Pleating & stitching	2678	Stationery products
3536	Hoists, cranes & monorails	2514	Metal household furniture	3432	Plumbing fixture fittings & trim	3493	Steel springs, except wire
2252	Hosiery, nec	3549	Metalworking machinery, nec	2842	Polishes & sanitation goods	3315	Steel wire & related products
2392	House furnishings, nec	3398	Metal heat treating	3264	Porcelain electrical supplies	3317	Steel pipe & tubes
3142	House slippers	3411	Metal cans	2096	Potato chips & similar snacks	3325	Steel foundries, nec
3651	Household audio & video equipment	3412	Metal barrels, drums & pails	3269	Pottery products, nec	3324	Steel investment foundries
3635	Household vacuum cleaners	3431	Metal sanitary ware	2015	Poultry slaughtering & processing	3691	Storage batteries
3631	Household cooking appliances	3497	Metal foil & leaf	3568	Power transmission equipment, nec	3259	Structural clay products, nec
3633	Household laundry equipment	3479	Metal coating & allied services	3546	Power-driven handtools	2439	Structural wood members, nec
3639	Household appliances, nec	3469	Metal stampings, nec	3448	Prefabricated metal buildings	2843	Surface active agents
2519	Household furniture, nec	3442	Metal door, sash & trim	2452	Prefabricated wood buildings	3841	Surgical & medical instruments
3632	Household refrigerators & freezers	2431	Millwork	2045	Prepared flour mixes & doughs	3842	Surgical appliances & supplies
2024	Ice cream & frozen desserts	3296	Mineral wool	2048	Prepared feeds, nec	3613	Switchgear & switchboard apparatus
3491	Industrial valves	3295	Minerals, ground or treated	3652	Prerecorded records & tapes	2822	Synthetic rubber
2819	Industrial inorganic chem, nec	3532	Mining machinery	3229	Pressed & blown glass, nec	3795	Tanks & tank components
3599	Industrial machinery, nec	2741	Misc publishing	3399	Primary metal products, nec	3661	Telephone & telegraph apparatus
2869	Industrial organic chem, nec	3449	Misc metal work	3339	Primary nonferrous metals, nec	3552	Textile machinery
3537	Industrial trucks & tractors	3496	Misc fabricated wire products	3334	Primary aluminum	2393	Textile bags
2813	Industrial gases	2451	Mobile homes	3331	Primary copper	2299	Textile goods, nec
3543	Industrial patterns	3716	Motor homes	3692	Primary batteries, dry & wet	2284	Thread mills
3567	Industrial furnaces & ovens	3711	Motor vehicles & car bodies	3672	Printed circuit boards	2282	Throwing & winding mills
2816	Inorganic pigments	3621	Motor & generators	2893	Printing ink	2296	Tire cord & fabrics
3825	Instruments to measure electricity	3714	Motor vehicle parts & accessories	3555	Printing trades machinery	3011	Tires & inner tubes
3519	Internal combustion engines, nec	3751	Motorcycles, bicycles & parts	3823	Process control instruments	2141	Tobacco stemming & redrying
3462	Iron & steel forging	3931	Musical instruments	3231	Products of purchased glass	2844	Toilet preparations
3915	Jewelers' materials & lapidary work	2441	Nailed wood boxes & shook	2531	Public building & related furniture	3612	Transformers, except electronic
3911	Jewelry, precious metal	2241	Narrow fabric mills	2611	Pulp mills	3799	Transportation equipment, nec
2253	Knit outerwear mills	2711	Newspapers	3561	Pumps & pumping equipment	3792	Travel trailers & campers
2254	Knit underwear mills	2873	Nitrogenous fertilizers	3663	Radio & TV communication equip	3713	Truck & bus bodies
2259	Knitting mills, nec	3297	Nonclay refractories	3743	Railroad equipment	3715	Truck trailers
3821	Laboratory apparatus & furniture	3644	Noncurrent-carrying wiring devices	2061	Raw sugar cane	3511	Turbines & turbines generator sets
2258	Lace & warp knit fabric mills	3369	Nonferrous foundries, nec	3273	Ready-mixed concrete	2791	Typesetting
3083	Laminated plastic plate & sheet	3364	Nonferrous die-casting, exc. aluminum	2493	Reconstituted wood products	3082	Unsupported plastic profile shapes
3524	Lawn & garden equipment	3357	Nonferrous wiredrawing & insulating	3585	Refrigeration & heating equipment	3081	Unsupported plastic film & sheet
3952	Lead pencils & art goods	3356	Nonferrous rolling & drawing, nec	3625	Relays & industrial controls	2512	Upholstered household furniture
3199	Leather goods, nec	3341	Nonferrous metals	3645	Residential lighting fixtures	3494	Valves & pipe fittings, nec
2386	Leather & sheep-lined clothing	3463	Nonferrous forging	2044	Rice milling	2076	Vegetable oil mills, nec
3111	Leather tanning & finishing	3299	Nonmetallic mineral products, nec	2095	Roasted coffee	3647	Vehicular lighting equipment
3151	Leather gloves & mittens	2297	Nonwoven fabrics	2384	Robes & dressing gowns	3261	Vitreous plumbing fixtures
3648	Lighting equipment	3579	Office machines, nec	3547	Rolling mill machinery	3262	Vitreous china table & kitchenware
3274	Lime	2522	Office furniture, except wood	3052	Rubber & plastic hose & belting	3873	Watches, clocks & parts
2411	Logging	3533	Oil & gas field machinery	3021	Rubber & plastic footwear	2385	Waterproof outerwear
2992	Lubricating oils & greases	3851	Ophthalmic goods	2068	Salted & roasted nuts & seeds	2257	Weft knit fabric mills
3161	Luggage	3827	Optical instruments & lenses	2656	Sanitary food containers	3548	Welding apparatus
2098	Macaroni, spaghetti & noodles	3489	Ordnance & accessories, nec	2676	Sanitary paper products	2046	Wet corn milling
3541	Machine tools, metal cutting types	2824	Organic fibers, noncellulosic	2013	Sausages & other prepared meats	2084	Wines, brandy & brandy spirits
3545	Machine tool accessories	3565	Packaging machinery	3425	Saw blades & handsaws	3495	Wire springs
3542	Machine tools, metal forming type	2851	Paints & allied products	2421	Sawmills & planing mills, general	2337	Women's & misses' suits & coats
3695	Magnetic & optical recording media	3554	Paper industries machinery	3596	Scales & balances, except laboratory	2335	Women's, juniors' & misses' dresses
3322	Malleable iron foundries	2621	Paper mills	2397	Schiffli machine embroideries	2341	Women's & children's underwear
2083	Malt	2671	Paper coated & laminated, pkging	3451	Screw machine products	2251	Women's hosiery, except socks
2082	Malt beverages	2672	Paper coated & laminated, nec	3812	Search & navigation equipment	2339	Women's & misses' outerwear, nec
2761	Manifold business forms	2631	Paperboard mills	3674	Semiconductors & related devices	2331	Women's & misses' blouses & shirts
2097	Manufactured ice	2542	Partitions & fixtures, except wood	3263	Semivitreous table & kitchenware	3171	Women's handbags and purses
3999	Manufacturing industries, nec	3951	Pens & mechanical pencils	3589	Service industry machinery, nec	3144	Women's footwear, except athletic
3953	Marking devices	2721	Periodicals	2652	Setup paperboard boxes	2491	Wood preserving
2515	Mattresses & bedsprings	3172	Personal leather goods, nec	3444	Sheet metal work	2499	Wood products, nec
3586	Measuring & dispensing pumps	2911	Petroleum refining	3731	Ship building & repairing	2434	Wood kitchen cabinets
3829	Measuring & controlling devices, nec	2999	Petroleum & coal products, nec	3993	Signs & advertising specialties	2541	Wood partitions & fixtures
2011	Meat packing plants	2834	Pharmaceutical preparations	3914	Silverware and plate ware	2521	Wood office furniture
3061	Mechanical rubber goods	2874	Phosphatic fertilizers	3484	Small arms	2517	Wood TV & radio cabinets
2833	Medicinal & botanicals	3861	Photographic equipment & supplies	3482	Small arms ammunition	2449	Wood containers, nec
2325	Men's & boys' trousers & slacks	2035	Pickles, sauces & salad dressing	2841	Soap & other detergents	2511	Wood household furniture
3143	Men's footwear, except athletic	3085	Plastic bottles	2436	Softwood veneer & plywood	2448	Wood pallets & skids
2323	Men's & boys' neckwear	3086	Plastic foam products	2075	Soybean oil mills	3553	Woodworking machinery
2329	Men's & boys' clothing, nec	2821	Plastic materials & resins	3769	Space vehicle equipment & parts	3844	X-ray apparatus & tubes
2321	Men's & boys' shirts	3084	Plastic pipe	3764	Space propulsion units & parts	2281	Yarn spinning mills
		3088	Plastic plumbing fixtures	2429	Special product sawmills, nec		
		3089	Plastic products, nec	3544	Special dies, tools, jigs & fixtures		
				3559	Special industry machinery, nec		